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STATEMENT OF
WILLIAM P. BISHOP
CHAIRMAN, SOURCE EVALUATION BOARD
FOR CIVIL SPACE REMOTE SENSING
BEFORE THE
COMMITTEE ON COMMERCE, SCIENCE AND TRANSPORTATION
UNITED STATES SENATE

MARCH 22, 1984

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

MY NAME IS WILLIAM P. BISHOP. I AM THE CHAIRMAN OF THE DEPARTMENT OF COMMERCE'S SOURCE EVALUATION BOARD FOR CIVIL SPACE REMOTE SENSING (THE "SEB"). I AM PLEASED TO BE HERE TODAY TO TESTIFY ON BEHALF OF THE ADMINISTRATION CONCERNING S.1855, S.1861, AND S.2292, TITLED LAND REMOTE SENSING SATELLITE AUTHORIZATION ACTS OF 1983 ,OR 1984. I DO NOT INTEND TO DWELL ON THE ACTIVITIES OF THE SEB DURING THE PAST SEVERAL MONTHS EXCEPT TO SAY THAT THE RFP FOR COMMERCIALIZATION OF LAND REMOTE SENSING WAS RELEASED ON JANUARY 3RD 1984, AND RESPONSES WERE RECEIVED ON MARCH 19TH, 1984.

MR. CHAIRMAN, I WOULD LIKE TO PUT ONE POINT CLEARLY ON THE RECORD AT THE OUTSET. IN ORDER TO BE ABLE TO TESTIFY AT THESE HEARINGS AND ANSWER QUESTIONS WHICH YOU MAY ASK, I HAVE DELIBERATLY NOT READ ANY OF THE RESPONSES WHICH WERE RECEIVED BY THE SEB NOR DISCUSSED THEM WITH THE OTHER BOARD MEMBERS. I DO NOT KNOW WHAT THOSE BIDS CONTAIN, AND WILL NOT KNOW UNTIL TOMORROW WHEN I FIRST SEE THEM. THEREFORE, MY DISCUSSION WITH YOU TODAY WILL BE BASED ON INFORMATION DEVELOPED BY THE SEB AND THE LARGER INTERAGENCY TEAM AND ARE IN NO WAY INFLUENCED BY THE CONTENTS OF THE PROPOSALS.

I WOULD LIKE TO THANK THIS COMMITTEE AND THE MEMBERS WHO HAVE INTRODUCED THE THREE BILLS FOR THEIR LEADERSHIP REGARDING THIS ISSUE. THESE BILLS HAVE DEVELOPED THE BASIS FOR A PRACTICAL

APPROACH TO COMMERCIALIZATION. WE HAVE ESPECIALLY APPRECIATED THE OPPORTUNITY TO WORK CLOSELY WITH YOUR STAFFS ON THIS MATTER, AND WE BELIEVE THAT A SOLID START HAS BEEN MADE.

IT IS THE DESIRE OF THE ADMINISTRATION TO ACHIEVE COMMERCIALIZATION OF CIVIL LAND REMOTE SENSING FROM SPACE AS SOON AS POSSIBLE WHILE MAINTAINING THE U.S. LEAD IN LAND REMOTE SENSING AND WHILE HAVING THE PRIVATE SECTOR MAKE MAJOR INVESTMENTS.

THESE BILLS, WITH SOME TECHNICAL CHANGES WHICH I WILL DISCUSS BELOW, ARE AN APPROPRIATE FRAMEWORK FOR DISCUSSION OF HOW THESE GOALS MAY BE ACHIEVED. OUR COMMENTS ON THESE BILLS REFLECT IN LARGE PART THE EXPERIENCE OF THE ADMINISTRATION IN CONDUCTING THE RFP PROCESS OVER THE LAST NINE MONTHS. ONE OF THE LESSONS WE HAVE LEARNED IN THIS PROCESS IS WE DON'T WANT TO HAVE TO DO IT AGAIN; AT LEAST NOT IN THE NEAR FUTURE. IT IS THEREFORE, OF EXTREME IMPORTANCE THAT LEGISLATION ENACTED BY BOTH HOUSES OF CONGRESS AND THE RFP PREPARED BY THE SEB BE CONSISTENT ON SUBSTANTIVE ISSUES. WITH SOME MINOR EXCEPTIONS, I BELIEVE THEY ARE CONSISTENT.

THE PROCUREMENT PROCESS NOW UNDERWAY CONSTITUTES WHAT WE BELIEVE TO BE THE MOST THOROUGH AND EXHAUSTIVE EFFORT TO DATE TO DETERMINE THE NEXT STEPS IN THE PROGRAM TO FACILITATE THE TRANSFER OF LAND REMOTE SENSING OPERATIONS TO THE PRIVATE SECTOR. IT HAS BEEN AN UNUSUALLY COMPLICATED AND TIME CONSUMING

ACTION, AND IT IS MY ESTIMATE THAT AT LEAST TWO MONTHS WILL BE REQUIRED FOR THE SEB TO SUBMIT ITS ANALYSIS AND RECOMMENDATIONS TO SECRETARY BALDRIGE. A NUMBER OF FIRMS SPENT CONSIDERABLE TIME AND CORPORATE FUNDS PREPARING THE RESPONSES TO THE RFP. IN OUR VIEW IT WOULD BE EXTREMELY UNFORTUNATE IF THE WORK OF THE SEB AND THESE PRIVATE FIRMS WERE TO BE DISCARDED OR REPEATED. IT WOULD CERTAINLY RESULT IN SIGNIFICANT AND COSTLY DELAYS IN THE COMMERCIALIZATION PROCESS. I AM VERY PLEASED, THEREFORE, THAT WE ONLY HAVE MINOR CHANGES TO SUGGEST IN OTHERWISE EXCELLENT PIECES OF PROPOSED LEGISLATION.

IT IS OUR OPINION THAT S.1855 AND S.1861 CONTAIN ESSENTIALLY THE SAME PROVISIONS AS THOSE CONTAINED IN S.2292. S.2292 BEING MORE EXTENSIVE AND HAVING BEEN INTRODUCED LATER, REPRESENTS THE MOST COMPLETE PIECE OF LEGISLATION. THUS, IT IS THE ONE WHICH I WILL SPECIFICALLY DISCUSS TODAY.

IN ADDITION TO THESE COMMENTS, WE ARE PREPARED TO DELIVER TO YOUR STAFF TECHNICAL COMMENTS AS WELL AS SPECIFIC AMENDMENT LANGUAGE FOR YOUR CONSIDERATION, WHICH WILL IMPLEMENT THE SUGGESTIONS IN MY REMARKS HERE.

SCOPE OF THE BILL:

FIRST A WORD CONCERNING THE SCOPE OF THE BILL. THE SHORT TITLE AND FINDINGS REFER TO LAND REMOTE SENSING, WHILE THE OPERATIVE PORTIONS OF THE BILL APPARENTLY REFER TO BOTH LAND AND OCEAN

REMOTE SENSING. THERE IS NO GENERALLY RECOGNIZED OPERATIONAL CAPABILITY IN OCEAN REMOTE SENSING AT THE PRESENT TIME.

INCLUDING OCEAN SENSING WITHIN THE SCOPE OF THE BILL WILL HAVE THE EFFECT OF SPECIFYING THE GOVERNMENT'S CONDITIONS FOR THE COMMERCIALIZATION OF OCEAN SENSING LONG BEFORE THE PARAMETERS OF SUCH A SYSTEM OR THE NEED FOR COMMERCIALIZATION HAVE BEEN ESTABLISHED. THIS MAY HAVE THE EFFECT OF INHIBITING INNOVATIONS IN THIS AREA. IT IS THE ADMINISTRATION'S VIEW THAT THE BILLS' APPLICATION SHOULD THEREFORE BE LIMITED TO LAND REMOTE SENSING.

COMPATIBILITY WITH THE RFP AND SUBMITTED BIDS:

ONE OF OUR PRINCIPAL CONCERNS, AS I INDICATED ABOVE, IS THAT THE LEGISLATIONS DO NOTHING THAT WOULD CAUSE US TO BEGIN AGAIN OR SERIOUSLY DELAY THE PROCESS. SEVERAL OF THE PROVISIONS IN THESE BILLS ARE MORE RESTRICTIVE THAN THE PROVISIONS IN THE RFP. I ASSUME THE RESPONDENTS ADDRESSED THEMSELVES TO THE PROVISIONS OF THE RFP. IT IS OUR INTENT IN MAKING THESE SUGGESTIONS TO SEEK TO MODIFY THE LEGISLATION TO THE POINT THAT IT IS CONSISTENT WITH THE REQUIREMENTS OF THE RFP. IN SO DOING, WE HAVE TRIED TO BE SENSITIVE TO THE INTENT OF THE LEGISLATION.

SECTION 201, DEALING WITH THE OPERATION AND DATA MARKETING OF THE EXISTING LANDSAT 4 AND LANDSAT 5 SYSTEMS SPECIFIES THAT THE UNITED STATES GOVERNMENT, SPECIFICALLY THE NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA), SHALL CONTINUE OWNERSHIP OF

THE SYSTEM AND THE UNENHANCED DATA AND HAVE DECISION AUTHORITY OVER OPERATION. HOWEVER, A CONTRACT WINNER IS ENTITLED TO SET THE PRICES OF AND IN GENERAL MARKET THIS UNENHANCED DATA AS HE OR SHE WISHES. THIS SEEMS TO INTRODUCE SEVERAL CONFLICTS. THE CONTRACT WINNER IS AUTHORIZED AND ABLE TO MARKET DATA WHICH IS IN THE OWNERSHIP OF THE UNITED STATES GOVERNMENT. WE BELIEVE THAT RETENTION BY THE GOVERNMENT OF TITLE TO THE DATA WOULD REQUIRE PROVISIONS IN THE BILL PERMITTING THE GOVERNMENT TO COPYRIGHT THE DATA AND LICENSES REPRODUCTION AND SALES BY THE CONTRACTOR. THE RFP AVOIDS THIS REQUIREMENT BY PERMITTING TRANSFER OF TITLE AS WELL AS ASSETS OF THE LANDSAT SYSTEM TO THE PRIVATE SECTOR OPERATOR, IF THIS IS DETERMINED TO BE IN THE NATIONAL INTEREST. THUS, THE CONTRACTOR OBTAINS TITLE TO THE DATA, IS FREE TO MARKET IT AND IS NOT SUBJECTED TO A COMPLICATION OF THE GOVERNMENT STILL OWNING THE DATA. WE BELIEVE THE BEST WAY TO DEVELOP THE MARKET IS TO LET THE MARKETPLACE DRIVE THE OPERATION AND THUS WE RECOMMEND AN APPROACH IN THE LEGISLATION, SIMILAR TO THAT IN THE RFP. ALSO, SECTION 201(c) SPECIFIES THAT NOAA WILL CONTINUE NOT ONLY OWNERSHIP OF THE DATA BUT OWNERSHIP OF THE SYSTEM AND THE AUTHORITY FOR OPERATIONAL DECISION. THE RFP ALLOWS THE POSSIBILITY FOR A CONTRACTOR TO TAKE OVER BOTH OWNERSHIP AND OPERATION OF THE LANDSAT 4/5 SYSTEM. WE RECOMMEND THAT THE BIDDERS BE ALLOWED THE OPPORTUNITY. THE TRANSFER WOULD REPRESENT THE FIRST STEP IN A TRANSITION TO A MARKET DRIVEN SYSTEM.

SECTION 202(a) REQUIRES THAT THE "SECRETARY SHALL" CONTRACT FOR THE MARKETING OF DATA. ALTHOUGH WE FEEL THAT BIDDERS SHOULD HAVE

THE OPTION, WE ARE CONCERNED THAT IF NONE ELECT TO MARKET LANDSAT 4/5 DATA, THEN ANOTHER RFP WILL BE REQUIRED. WE SUGGEST THAT "SHALL" BE CHANGED TO "MAY."

SECTION 202(c)(1) SPECIFIES A VERY EXTENSIVE CONGRESSIONAL REVIEW AND APPROVAL PROCESS, WHICH GOES CONSIDERABLY BEYOND THE REQUIREMENTS OF THE "BATEMAN AMENDMENT." IT IS OUR FEELING THAT PASSAGE OF THIS LEGISLATION BY THE CONGRESS, WITHOUT THIS SECTION, WOULD REPRESENT APPROVAL OF THE COMMERCIALIZATION PROCESS. FURTHER SPECIFIC APPROVAL OF THE CONTRACT BY CONGRESS IS INAPPROPRIATE. CONGRESS SHOULD SET THE POLICY FOR A TRANSFER; THE SECRETARY OF COMMERCE SHOULD IMPLEMENT THE POLICY AS THE SELECTION OFFICIAL FOR THE CONTRACT. WE STRONGLY REQUEST REMOVAL OF 202(c)(1).

WE RECOMMEND THAT THE CLAUSE "AND OTHER FACTORS THAT THE SECRETARY OF COMMERCE DEEMS NECESSARY" BE ADDED AS SECTION 203(3), TO BE CONSISTENT WITH THE RFP. THIS ADDITION PERMITS THE INCLUSION OF OTHER FACTORS IN THE ENTIRE EVALUATION PROCESS.

SECTION 303(a)(5) REQUIRES AN EVALUATION INCLUDING "PERCENTAGE OF DATA SALES" TO THE FEDERAAAL GOVERNMENT. WE ALLOW THIS AS A BID OPTION BUT FEEL THE FINANCIAL PLAN SHOULD BE FLEXIBLE. THUS WE RECOMMEND THE CHANGE OF THE SUBSECTION TO PERMIT OTHER TYPES OF REPAYMENT OF THE FEDERAL INVESTMENT.

SECTION 303(b)(1) SPECIFIES THE SAME CONGRESSIONAL REVIEW OF A CONTRACT DECISION AS I DISCUSSED IN SECTION 202(c)(1). WE ARE OPPOSED TO THIS SUBSECTION FOR THE SAME REASON.

SECTION 305.3 DEALING WITH SALE OF DATA FROM THE FOLLOW-ON COMMERCIAL SATELLITE SYSTEM STIPULATES THAT THE CONTRACT FOR THAT ACTIVITY SHALL NOT PROVIDE A GUARANTEE OF PURCHASE OF DATA BY THE FEDERAL GOVERNMENT FROM THE CONTRACTOR. THE RFP HAS MADE IT CLEAR THAT THE GOVERNMENT WILL NOT ENTER INTO AN EXCLUSIVE DATA PURCHASE ARRANGEMENT, BUT WE HAVE ALSO MADE IT CLEAR THAT THE GOVERNMENT WOULD NOT NECESSARILY AGREE TO A PROPOSAL REQUIRING GUARANTEED PURCHASE. HOWEVER, WE FEEL THAT FLEXIBILITY IS TO THE GOVERNMENT'S ADVANTAGE IN THIS CASE, AND WE FEEL THAT THIS RESTRICTION IS NOT IN THE BEST INTEREST OF THE GOVERNMENT. A FINANCIAL ARRANGEMENT OF SUPPORT TO THE CONTRACTOR WHICH INCLUDES SOME DEGREE OR TYPE OF GUARANTEED DATA PURCHASE MIGHT BE OF INTEREST BOTH TO THE PROPOSER AND TO THE U.S. GOVERNMENT. WE RECOMMEND THE LESS RESTRICTIVE APPROACH.

SECTION 303.A DESCRIBES A CONTRACT WHICH WILL EXTEND FOR A PERIOD OF SIX YEARS AND SECTION 307 SPECIFIES A TERMINATION OF AUTHORITY TEN YEARS AFTER THE DATE OF THE BEGINNING OF A CONTRACT ENTERED INTO UNDER THE PREVISIONS OF THIS TITLE. THERE SEEMS TO BE SOME UNCERTAINTY OF THE INTENDED TIME SPAN, EITHER 6 YEARS OR 10 YEARS. WE FEEL THAT A PERIOD OF TIME LONGER THAN 6 YEARS, MORE LIKELY AT LEAST 8 YEARS, WILL BE NECESSARY FOR A CONTRACTOR TO REACH THE STATE OF FULL FINANCIAL VIABILITY. THEREFORE, WE ARE

PLEASED WITH THE TERMINATION OF AUTHORITY AT A TIME EXTENDING AS LONG AS TEN YEARS, BUT WE WONDER IF THESE TWO TIMES SPECIFIED IN THE LEGISLATION WOULD LEAD TO SOME DEGREE OF CONFUSION IN THE AWARDING OF THE CONTRACT. WE PREFER THE LONGER AUTHORITY.

IN ORDER TO PERMIT FINANCIAL FLEXIBILITY ON THE PART OF A BIDDER, AND TO ELIMINATE A PROCESS WHICH MIGHT JUST TAKE FUNDS FROM ONE FEDERAL AGENCY POCKET AND TRANSFER IT TO ANOTHER, WE RECOMMEND THAT THE PHRASE "SUCH AS LAUNCH SERVICES" BE REMOVED FROM SECTION 604.

MR. CHAIRMAN, LET ME CONCLUDE MY PREPARED STATEMENT BY REITERATING WHAT I STATED AT THE OUTSET, THAT THESE THREE BILLS AND IN PARTICULAR THE MORE DETAILED ONE, S2292, CONSTITUTE A MAJOR STEP FORWARD TOWARD ESTABLISHING THE LEGAL FRAMEWORK FOR A UNITED STATES COMMERCIAL OPERATION LAND REMOTE SENSING SYSTEM. WE LOOK FORWARD TO THE PASSAGE OF THIS LEGISLATION BY THE SENATE, SIMILAR LEGISLATION IN THE HOUSE AND THE INITIATION OF THE PROCESS LEADING TO COMMERCIALIZATION OF LAND REMOTE SENSING.

I WOULD BE VERY HAPPY TO ANSWER YOUR QUESTIONS AT THIS TIME, PLEASE BEAR IN MIND THAT I HAVE NOT READ ANY OF THE PROPOSALS AS SUBMITTED, AND THEREFORE WOULD NOT BE ABLE TO ANSWER ANY QUESTIONS DEALING WITH THE DETAILS OF THOSE PROPOSALS.